

# **BASIC PROVISIONS AND TAX BASE OF THE NEBRASKA CIGARETTE TAX LAWS**

The Nebraska cigarette tax is a special privilege tax paid by every person engaged in distributing or selling cigarettes at wholesale in this state. Each wholesale dealer who receives an annual Nebraska Wholesale Dealer's Permit must pay an application fee of \$500, which is placed in the State General Fund. On packages containing twenty or fewer cigarettes, a tax of 34 cents per package is paid. On packages containing more than twenty cigarettes, a tax of 34 cents for the first twenty cigarettes plus a tax of 1/20 of 34 cents on each cigarette in excess of twenty cigarettes is paid, in addition to all other taxes. A tax stamp is placed on each package of cigarettes as proof of cigarette tax paid.

## **NEBRASKA CIGARETTE TAX FUND DISTRIBUTION**

21 cents	Deposited in the General Fund. This amount is reduced by \$3,050,000 per fiscal year which is deposited in the Municipal Infrastructure Redevelopment Fund.
1 cent	Deposited in the Nebraska Outdoor Recreation Development Cash Fund.
3 cents	Deposited in the Department of Health and Human Services Finance and Support Cash Fund.
2 cents	Deposited in the City of Omaha Public Events Facilities Fund (from fiscal year 1995-96 through 2000-01).
7 cents	Deposited in the Building Renewal Allocation Fund (until July 1, 2001).
Remainder	The balance of such proceeds shall be placed in the Nebraska Capital Construction Fund and disbursements from the fund shall be as the Legislature shall from time to time provide.

# CIGARETTE TAX

## Statutory Reference and Description

Estimated Tax  
Expenditure Cost  
NA = Not Available

### EXEMPTIONS

#### Section 77-2607

The portion of the wholesale dealer's stock of cigarettes which is not intended to be sold or given away in this state is exempt from the tax, unless the stock is not out of the dealer's possession within 30 days of receipt.

NA

#### 4 USC 107

Federal law prohibits state taxation of cigarettes sold to the U.S. government or one of its agencies.

\$1,521,450

### DEDUCTION

#### Section 77-2608

The State Tax Commissioner shall sell the tax stamps only to licensed wholesale dealers. The sale of stamps to wholesale dealers in this state or outside of this state is authorized at a discount of three and four-tenths percent of such face value of the tax as a commission for affixing and canceling such stamps.

\$1,231,600

### CREDITS

#### Section 77-2610

Any unused or spoiled stamps are redeemed by the State Tax Commissioner and a refund is made in the amount of the stamps less the commission for affixing the stamps.

\$594,100

#### 4 USC 109, et al

Federal statutes and treaties prohibit state taxation of cigarettes sold to Native Americans on federal Indian reservation land within Nebraska. A credit is allowed by the state to cigarette wholesalers for the amount of tax credited by them to their retailers who make exempt sales of cigarettes to Native Americans.

\$142,800

(State taxation  
prohibited)

# **CIGARETTE TAX RECOMMENDATIONS**

The Nebraska Department of Revenue has no recommendations.